

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 IO-10 PRS-01 PA-01 NEA-10 SP-02

AID-05 EB-07 NSC-05 CIEP-01 SS-15 STR-04 OMB-01

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 LAB-04 SIL-01 L-03 H-02 /102 W

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P R 080336Z OCT 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 8302

INFO AMEMBASSY WELLINGTON

AMEMBASSY SUVA

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 1/7/76

TAGS: EAID, EFIN, TN

SUBJECT: PROPOSED CHANGE IN SCOPE OF ADB-FINANCED TELECOMMUNICATIONS PROJECT IN TONGA

REF: MANILA 11917 (1973)

SUMMARY: ADB PRESIDENT PROPOSES TO BD. OF DIRECTORS ON NO OBJECTION BASIS, CHANGE IN SCOPE OF TELECOMMUNICATIONS PROJECT FINANCED BY US\$1.3 MILLION LOAN APPROVED NOVEMBER 1973. CHANGE WOULD MODIFY AND DIVIDE SCOPE OF ORIGINAL PROJECT INTO TWO PHASES TO KEEP COST OF PHASE I WITHIN LIMITED OF APPROVED LOAN AMOUNT; GOVT. TO TAKE EARLY STEPS ARRANGE FINANCING REQUIRED FOR PHASE II. PROJECT AS PHASED REMAINS TECHNICALLY AND FINANCIALLY FEASIBLE. USADB INTENDS RAISE NO OBJECTION. END SUMMARY.

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1. SUBJECT BD. DOC.R93-75 POUCHED ADDRESSEES. SUBJECT

PROJECT APPROVED NOVEMBER 1973 ENVISAGED IMPROVEMENT/ EXPANSION TELEPHONE SERVICE MAIN ISLAND OF TONGATAPU AND ISLAND GROUPS OF VAVA'U AND HA'APAI; UPGRADING RADIO-TELEPHONE LINKS THOSE GROUPS TO THE CAPITAL NUKU'ALOFA. HOWEVER BASED ON KNOWN ESCALATION OF TELECOM EQUIPMENT AS OF JANUARY 1975, A COST OVERRUN ON PROJECT WAS FORESEEN. CONSULTANTS WERE THEN REQUESTED CONSIDER IMPLEMENTATION OPTIONS AND RECOMMENDED PHASING OF PROJECT, SOME MODIFICATIONS IN ORIGINAL SCOPE.

2. NUKU'ALOFA EXCHANGE ORIGINALLY APPROVED TO HAVE NEW 2200 LINE EXCHANGE BASED ON 7 PERCENT ANNUAL GROWTH SUBSCRIBER DEMAND. CONSULTANTS ESTIMATE GROWTH RATE ONLY 5 PERCENT ANNUALLY, INITIAL INSTALLATION OF 1500 LINES ADEQUATE NEXT 5 YEARS, HOWEVER BUILDING WILL ACCOMMODATE FORECAST 20-YEAR EXPANSION.

3. ORIGINALLY RURAL AREAS TO BE SERVED BY PARTY LINE SERVICE THROUGH CABLES FROM MAIN EXCHANGE. CONSULTANTS NOW PROPOSE INCREASED RURAL DEMAND JUSTIFIES INSTALLATION TWO SMALL UNATTENDED AUTOMATIC EXCHANGES AT OUTLYING POPULATION CENTERS (MU'A AND NUKUNUKU) WOULD BE LESS EXPENSIVE AND PROVIDE BETTER SERVICE THAN ORIGINAL PLAN. WITH INITIAL CAPACITY OF 150 LINES AT MU'A AND 100 LINES AT NUKUNUKU, TOTAL INITIAL CAPACITY FOR MAIN ISLAND OF TONGATAPU WOULD BE 1950 LINES COMPARED WITH 2200 LINES FIRST PROPOSED.

4. CONSULTANTS ALSO RECOMMEND OUTLYING ISLAND GROUPS OF HA'APAI AND VAVA'U BE PROVIDED SMALL AUTOMATIC EXCHANGES (OF 150 LINES AND 250 LINES RESPECTIVELY), NOT MANUAL EXCHANGES ORIGINALLY PROPOSED; ALSO RECOMMEND PROPOSED REINSTALLATION OF EXISTING NUKU'ALOFA MANUAL SWITCHBOARD AT VVA'U NOW CONSIDERED UNECONOMIC IN VIEW DETERIORATION SINCE APPRAISAL. SYSTEM-WIDE AUTOMATIC DIALING ON TRUNK SERVICES EXPECTED INCREASE ESTIMATED TRUNK REVENUE.

5. ACCORDINGLY, GOVT. OF TONGA NOW REQUESTS AND BANK LIMITED OFFICIAL USE

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RECOMMENDS OVERALL PROJECT BE DIVIDED INTO TWO PHASES; FIRST TO BE FINANCED BY BANK FROM EXISTING LOAN AMOUNT OF US\$1.3 MILLION; PHASE II TO BE FINANCED BY GOVT. OF TONGA'S OWN RESOURCES OR OTHER SOURCES. GOVT. TO IMPLEMENT PHASE II AS EARLY AS POSSIBLE TO ASSUME OPTIMUM BENEFIT FROM TOTAL TELECOM DEVELOPMENT PLAN.

6. PROPOSED NEW BREAKDOWN OF \$1.3 MILLION AMOUNT

AS FOLLOWS:

ITEM	AMOUNT
	(US\$,000)
AUTOMATIC EXCHANGE EQUIPMENT (NUKU'ALOFA, MU'A AND NUKUNUKU)	613
BUILDINGS	121
DISTRIBUTION EQUIPMENT	327
VEHICLES AND MECHANICAL AIDS	12
CONSULTANT SERVICES	155
CONTINGENCY	72
	1,300

PROJECT AS PHASED REMAINS TECHNICALLY FEASIBLE,
FINANCIALLY VIABLE. FINANCIAL RATE OF RETURN ESTIMATED
AT 12 PERCENT FOR ENTIRE SYSTEM (PHASES I AND II);
FINANCIAL RATE OF RETURN FOR BANK-FINANCED PROMOTION
(PHASE I) NOT COUNTING POSSIBLE TRUNK REVENUE INCREASE,
ESTIMATED AT 9 PERCENT.

7. UNLESS DISCUSSION REQUESTED BY BOARD PRIOR TO
OCTOBER 15, PRESIDENT'S RECOMMENDATION WILL BE DEEMED
ACCEPTED. USABD DOES NOT INTEND TO OBJECT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TELECOMMUNICATION, PROGRAMS (PROJECTS), FINANCIAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MANILA14183
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750348-1119
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751070/aaaacksn.tel
Line Count: 144
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 MANILA 11917
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUL 2003 by CunninFX>; APPROVED <14 NOV 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED CHANGE IN SCOPE OF ADB-FINANCED TELECOMMUNICATIONS PROJECT IN TONGA
TAGS: EAID, EFIN, RP, TN, ADB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006